

TITLE 89: SOCIAL SERVICES
CHAPTER I: DEPARTMENT OF HEALTHCARE AND FAMILY SERVICES
SUBCHAPTER d: MEDICAL PROGRAMS

PART 143
MANAGED CARE COMMUNITY NETWORKS

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AUTHORITY: Sections 5-11, 5-12 and 5-13 of the Illinois Public Aid Code [305 ILCS 5/5-11, 5-12 and 5-13]

SOURCE: Emergency Rules adopted at 23 Ill. Reg. 4292, effective March 26, 1999, for a maximum of 150 days; amended at 23 Ill. Reg. 9865, effective August 3, 1999.

Section 143.100 Definitions

For purposes of this Part, the terms below shall be defined as follows:

"Contract" means a document containing certain terms and conditions that meet the requirements of this Part and is entered into by a Managed Care Community Network (MCCN) and the Department.

"County MCCN" means a county with a population of over three million that has a contract with the Department to provide primary, secondary, or tertiary managed health care services as an MCCN.

"Department" means the Illinois Department of Public Aid and any successor agencies.

"Eligible enrollee" means anyone who is eligible to receive medical services through programs administered by the Department and is eligible to receive services through an MCCN.

"Enrollee" means a person who receives medical services through an MCCN.

"Managed Care Community Network (MCCN)" means an entity, other than a health maintenance organization, that is owned, operated, or governed by providers of health care services within Illinois and that provides or arranges primary, secondary and tertiary managed health care services under contract with the Department exclusively to persons participating in programs administered by the Department. An MCCN may choose to contract with the Department to provide only pediatric health care services.

"Person" means any individual, corporation, proprietorship, firm, partnership, limited partnership, trust, association, governmental authority or other entity, whether acting in an individual, fiduciary or other capacity.

"Provider" means a person who is approved by the Department to furnish medical, educational or rehabilitative services to enrollees.

(Source: Amended at 23 Ill. Reg. 9865, effective August 3, 1999)

Section 143.200 Organizational Structure

- a) The Managed Care Community Network (MCCN) shall be a separate entity organized as a corporation, limited liability company, or partnership under the laws of this State for the purpose of operating an MCCN and, except for a county MCCN, doing no business other than that of an MCCN.
- b) If organized as a stock corporation or limited liability company, 100 percent of all voting shares must be owned by, or 100 percent of all members in the limited liability company must be, providers of health care services who are subject to licensure by the Illinois Department of Professional Regulation, or who are subject to licensure or certification by the Illinois Department of Public Health or the Illinois Department of Human Services.
- c) If organized as an Illinois not-for-profit corporation, the governing body must be constituted of at least 80 percent of providers of health care services who are subject to licensure by the Illinois Department of Professional Regulation, or who are subject to licensure or certification by the Illinois Department of Public Health or the Illinois Department of Human Services, or be employees or officers of such providers of health care services. For the purpose of this subsection, a State-owned medical school shall be a qualified provider of health care services.
- d) If organized as a partnership, all limited and general partners must be providers of health care services who are subject to licensure by the Illinois Department of Professional Regulation, or who are subject to licensure or certification by the Illinois Department of Public Health or the Illinois Department of Human Services.
- e) A County MCCN:
 - 1) May be formed without establishing a separate entity;
 - 2) Is entitled to enter into a contract to provide services in any or all of a county with a population of over three million; and
 - 3) Is not required to accept enrollees who do not reside within the county.

(Source: Amended at 23 Ill. Reg. 9865, effective August 3, 1999)

Section 143.300 General Provisions

- a) The Department shall enter into contracts with MCCNs for the provision of medical care to eligible enrollees in accordance with Section 5-11 of the Illinois Public Aid Code [305 ILCS 5/5-11].
- b) The Department may limit the number of MCCNs with which it contracts and shall specify a maximum enrollment capacity per MCCN.
- c) Covered services to be provided or arranged by an MCCN shall be established in each MCCN's contract.
- d) The Department shall include, in every contract with an MCCN, language describing the sanctions that the Department may impose upon the MCCN for failure to comply with this Part or the terms and conditions of that contract.
 - 1) The contract shall provide for sanctions including, but not limited to, one or more of the following:
 - A) Monetary sanctions established and assessed by the Department against the MCCN;
 - B) Freezing enrollment for a period to be determined by the Department;
 - C) Liquidated damages;
 - D) Disenrollment of enrollees;
 - E) Withholding all payments or any portion thereof due the MCCN; and
 - F) Any other sanctions that are deemed appropriate by the Department.
 - 2) In addition to any sanctions, the Department shall have the right to terminate the contract with or without cause.
- e) To be certified as an MCCN by the Department, an MCCN must meet each of the following requirements:
 - 1) An MCCN must execute a written contract with the Department.
 - 2) An MCCN must meet each of the requirements as set forth in the

applicable federal and State statutes, regulations, rules, this Part and as defined in the contract.

- 3) An MCCN must maintain procedures for enrollee complaints as established in contract with the Department. Such procedures shall, at a minimum, meet the standards set forth in the Health Maintenance Organization Act [215 ILCS 125] and applicable rules, applicable federal law and as described in the contract. Those requirements shall include, but are not limited to, requirements that MCCNs maintain:
 - A) Procedures for registering and responding to complaints and grievances in a specified time;
 - B) Procedures for recording the substance of the complaints;
 - C) A method for monitoring complaints against providers, and coordinating this function with established grievance procedures; and
 - D) A method for tracking minor but regular complaints about specific providers that may be indicative of problems.
- 4) An MCCN must maintain a quality assurance and utilization review program. Such procedures shall, at a minimum, meet the standards set forth in the Health Maintenance Organization Act [215 ILCS 125], applicable federal law and as described in the contract. Requirements shall include, but are not limited to:
 - A) The establishment of a quality assurance plan that satisfies any and all applicable State and federal statutory, regulatory, administrative, and policy requirements that address quality of care oversight in managed care;
 - B) Utilization and quality assurance monitoring and reporting;
 - C) The establishment of a peer review committee that is responsible for reviewing medical care provided, including issues involving conflicts of interest, and making recommendations for changes when problems are identified; and
 - D) Other quality assurance requirements that are established by the Department.

- f) The rates to be paid to MCCNs shall be established by the Department.

(Source: Amended at 23 Ill. Reg. 9865, effective August 3, 1999)

Section 143.400 Financial Requirements

a) Minimum Net Worth

Except during the first contract year, each MCCN must have and maintain at all times a net worth of at least five percent of the total annual capitated payments as calculated and based upon the MCCN's experience in its immediate prior fiscal year as evidenced by the most recent annual financial statement. However, the net worth of an MCCN need not be greater than \$1,500,000 during any contract year. During the term of the contract, the minimum net worth requirements are as follows:

- 1) Prior to entering into the contract and for the first six months of the first contract year, net worth shall be at least:
 - A) \$500,000 for MCCNs contracting in a county with a population of over three million, or
 - B) \$125,000 for all other MCCNs.
- 2) For the last six months of the first contract year, net worth shall be at least:
 - A) \$750,000 for MCCNs contracting in a county with a population of over three million, or
 - B) \$187,500 for all other MCCNs.
- 3) For the second and all subsequent contract years, net worth shall not be less than:
 - A) \$1,000,000 for MCCNs contracting in a county with a population of over three million, or
 - B) \$250,000 for all other MCCNs.

b) Determination of Net Worth

Net worth must be determined in accordance with generally accepted accounting principles (GAAP) and may take into account certain provisions of the statutory accounting practices as defined by the Health Maintenance Organization Act. Any solvency and financial standards set forth in the contract shall be no more restrictive than the standards applicable to provider-sponsored organizations in the Medicare+Choice program (42 CFR 422). Each MCCN shall make available to the Department, upon the request of the Department at any time prior to entering into a contract or during the term of any such contract, documentation

sufficient to enable the Department to verify or otherwise calculate the net worth of the MCCN. Such documentation includes, but is not limited to, audited financial statements, tax returns, and books and records establishing such net worth.

c) Solvency Standards

Solvency must be comprised of the following:

- 1) Prior to entering into the contract and for the first six months of the first contract year:
 - A) At least \$250,000 of the minimum net worth amount must be maintained in cash or cash equivalents for MCCNs contracting in a county with a population of over three million, or
 - B) At least \$62,500 in cash and cash equivalents for all other MCCNs.
- 2) For the last six months of the first contract year:
 - A) At least \$375,000 of the minimum net worth amount must be maintained in cash or cash equivalents for MCCNs contracting in a county with a population of over three million, or
 - B) At least \$93,750 in cash and cash equivalents for all other MCCNs.
- 3) For the second and all subsequent contract years:
 - A) The greater of \$750,000 or 40 percent of the minimum net worth amount must be maintained in cash or cash equivalents for MCCNs contracting in a county with a population of over three million, or
 - B) The greater of \$187,500 or 40 percent of the minimum net worth amount in cash and cash equivalents for all other MCCNs.
- 4) Each MCCN shall make adequate provisions against the risks of insolvency. Solvency of the MCCN must be guaranteed by guarantees or letters of credit from recognized financial institutions or by the establishment of escrow or trust accounts. Each MCCN shall assure that enrollees are in no case held liable for debts of the MCCN in the event of an MCCN's insolvency.

d) Solvency Reporting Requirements

- 1) Each MCCN shall make a written quarterly report to the Department establishing the state of the MCCN's solvency and whether such MCCN fails to meet, meets or exceeds the solvency requirements set forth in this Part. Upon request of the Department, each MCCN shall provide the Department with access to documentation sufficient to enable the Department to verify or otherwise calculate the solvency of the MCCN. Such documentation may include, but is not limited to, audited financial statements, tax returns, and books and records establishing such solvency.
- 2) An MCCN that falls below the requirements set forth in this Section, as determined by the Department, shall be provided with written notice by the Department of such failure. The MCCN shall have 30 days from the date of the notice to meet its net worth and/or solvency requirements. The MCCN must provide the Department, within that 30 day period, adequate documentation of its rehabilitation of the net worth and/or solvency. If the MCCN fails to rehabilitate its net worth and/or solvency within that 30 day period, the Department shall impose one or more sanctions, as described in Section 143.300(d)(1), unless the Department extends the 30 day time period. Such extension is at the discretion of the Department and the Department shall request the MCCN to show good cause why such extension should be granted. Nothing in this Part shall prohibit the Department from imposing any other sanctions available under this Part, the contract or at law after the expiration of the 30 day period.

(Source: Amended at 23 Ill. Reg. 9865, effective August 3, 1999)

Section 143.500 Certification

An MCCN that meets the requirements of this Part is deemed to be certified by the Department as a risk bearing entity solely for the purpose of meeting the requirements of a Medicaid Managed Care Organization as defined in Section 1903(m) of the Social Security Act and the Department may enter into a contract with such certified MCCN.

(Source: Amended at 23 Ill. Reg. 9865, effective August 3, 1999)